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C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001332

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
ENERGY FOR EKIMOFF/BURPOE/COHEN
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TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [TX](#)
SUBJECT: TURKMENISTAN: WHITE STREAM REPRESENTATIVE PITCHES
PROJECT

REF: ASHGABAT 947

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: A White Stream pipeline representative was in Ashgabat this week to pitch the project to GOTX officials. White Stream is a private gas pipeline from Georgia to Romania that its proponents claim is an alternative route for deliveries of Azerbaijani and Turkmen gas Europe. The rep opined that White Stream is the "perfect compliment" to Nabucco and would only cost about \$4 billion to construct. The pipeline project rep asserted that after a gas pipeline explosion on Turkmen territory in April and Russia's subsequent refusal to purchase Turkmen gas, the GOTX is moving to become Europe's major direct gas supplier, a position Russia currently enjoys. Major obstacles remain before White Stream could come to fruition, however, including the completion of a trans-Caspian pipeline, the completion of the Turkmen East-West pipeline and Caspian delimitation disputes among littoral countries. Moreover, several experts believe that White stream unnecessarily competes with the Nabucco pipeline and that White Stream does not have the necessary financial and political backing needed. END SUMMARY.

12. (C) On October 19, Economic Officer met with Director of Corporate Development for GUEU-White Stream Pipeline Company and Georgian national Giorgi Vashakmadze. Vashakmadze explained that White Stream is a pipeline project that would ultimately transport gas from Azerbaijan and the Caspian region directly to Romania, Ukraine and markets in Central and Eastern Europe. The pipeline would be divided into two parts: a 1100 km subsea route through the Black Sea from Georgia to Romania, and an additional 630 km leg from Georgia to Crimea in Ukraine (Note: this pipeline leg to Ukraine is often referred to as White Stream 2. End note.) Project promoters tout the pipeline as a means for initially transported 8 billion cubic meters (bcm) of gas up to 32 bcm with increased capacity.

WHITE STREAM REP CLAIMS GOTX READY TO SUPPLY GAS

13. (C) The White Stream representative told us he was in Ashgabat for meetings with Deputy Chairman for Oil and Gas Hojamammedov and Head of the State Agency for the Management and Use of Hydrocarbon Resources Kakayev with the goal of securing a commitment of gas supplies for the White Stream project. Vashakmadze stated that the meetings went very well, especially since the GOTX is "looking toward Europe" to offload its gas supplies. He asserted that both Hojamammedov and Kakayev told him that Europe would be the most reliable customer for Turkmenistan compared to Russia, China, and Iran. As a result, Vashakmadze added, White Stream is an attractive option for the Turkmen and if it were not, he would not have gotten the meetings with the country's "two most powerful energy brokers."

14. (C) Vashakmadze claimed that the European Commission's (EC) open support for White Stream resonates well with the GOTX, and he received assurances from GOTX officials (not the President) that Turkmen gas supplies for White Stream would be available, as soon as the project comes online. He opined that the Turkmen were still very upset with the Russians for the pipeline explosion in April and the subsequent gas row over price, which breathed new life in to alternative transit routes for gas intended for Europe. He was confident that the Turkmen viewed both Nabucco and White Stream as essential components of the EC's Southern Corridor plan.

BUT HOW DOES ONE GET TURKMEN GAS TO WHITE STREAM?

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15. (C) However, getting the gas all the way from Turkmenistan to White Stream is problematic for many reasons. In order to get gas from Turkmenistan's eastern gas fields to gas compressors in western Turkmenistan, and eventually to Turkmenistan's border on the Caspian Sea, the East-West Pipeline (or the Turkmenistan-Kazakhstan-Russia Pipeline) will need to be constructed. Initially, Gazprom was reportedly going to finance the construction of the East-West pipeline, but the GOTX turned down Gazprom's offer due to Gazprom's precondition that the East-West pipeline be exclusively dedicated to the transportation of gas from Turkmenistan's eastern gas fields to the Littoral or Prekaspiyski Pipeline, planned to run from Turkmenbashi to the Russian gas hub in Alexandrov Gay. After reportedly turning down Gazprom's offer to finance the East-West Pipeline, the GOTX announced an international tender for the construction of the East-West pipeline in March 2009, with a bidding deadline of July 27. To date, the GOTX has failed to award a tender for the East-West Pipeline. If the East-West Pipeline is not constructed, then White Stream could not count on Turkmen gas supplies.

16. (C) Even if the East-West Pipeline gets built, Turkmen gas would have to make its way across the Caspian Sea. To date, movement on a trans-Caspian pipeline has been stymied by delimitation disputes among littoral states. Chief among the disputes is the hydrocarbon-rich fields that both Turkmenistan and Azerbaijan are claiming known as "Serdar" to the Turkmen and "Kyapaz" to the Azerbaijanis (reftel). Resolving the complicated delimitation disputes would most likely have to proceed any trans-Caspian pipeline project. The White Stream rep stated that he had indications from Azaerbaijani and Turkmen officials that Caspian Sea delimitation dispute is actually closer to being resolved than most people think; he did not elaborate on his sources, however.

17. (C) If both the East-West and trans-Caspian pipelines are constructed, then that leaves the actual construction of White Stream in the Black Sea. To date, Blue Stream already transports Russian gas to Turkey through the Black Sea, and Russia continues to promote South Stream, which would send

Russian gas to Bulgaria then on to the rest of Europe, competing with Nabucco and White Stream. Vashakmadze dismissed notions that there might not be enough room in the Black Sea, adding that the project would only cost \$4 billion making it an attractive way for the EU to diversify its supplies.

WILL WHITE STREAM COMPETE WITH NABUCCO?

18. (C) Vashakmadze said that he spends a large amount of his time explaining that White Stream does not compete with Nabucco, but it compliments it. He added that the pipeline leg to Crimea, or White Stream 2 does something that Nabucco does not do--provides a way to get Central Asian gas to Ukraine. Given Russia's pressure on Georgia and Ukraine, he added, White Stream is a very timely energy project. Vashakmadze asserted that the EC mentions Nabucco and White Stream in the same breath as part of its Southern Corridor plan. He stressed that last year's gas row between Russia and Ukraine left European countries without gas, and renewed global interest in Nabucco and White Stream. He underscored that there is plenty of Central Asian gas for both projects to form new supply routes to the EU. Vashakmadze admitted that Nabucco has tremendous financial backing, but was confident that White Stream would continue to pick up investors, especially since more people are understanding the importance of White Stream 2.

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19. (C) COMMENT. The White Stream representative's meetings with high-level GOTX officials reflects the GOTX's plans to attract additional customers for its gas. At the same time, the GOTX has no current plans to divert from its policy that Turkmenistan sells its gas at its border, leaving large pipeline projects up to would-be customers. Adding a European-customer base is attractive to the Turkmen. Nevertheless, White Stream is still misunderstood in Turkmenistan, and often seen as a distraction to Nabucco. The Turkmen seem to have no problem pledging large gas amounts to pipelines that have not been built, as the Turkmen can gain political good will from the Europeans with little risk while the pipelines are still projects and not realities. If the GOTX does not increase its production capacity, however, it will not be able to produce the volumes needed for more and more pipeline projects. In addition, Turkmenistan's current dependence on Russia as its largest gas customer will continue to affect its participation in pipeline projects that could ultimately send large volumes of gas away from Russian. END COMMENT.
CURRAN